

**Contract Improvement Process
Delegation Subcommittee
Notes from October 10, 2006**

Attendees:

Jim Coghlan
Clark Bolser
Sue Griswold
Dianne Stump
Michelle Lee
Thirza Kennedy
Robb MacTavish
Kathy Heese
Yvonne Anderson

Summary of Discussion Points

- Discussed whether contracts delegation should be personal or agency.
- Reviewed State Purchasing approach to delegation.
- Discussed risk based delegation, and criteria for delegation
- Contracts review includes both:
 - An accounting review: 1. commitment voucher, 2. fair and reasonable pricing, and 3. available funding
 - A sufficiency review

Conclusions

- Delegation for contract approval from the State Controller will be to agency controllers. The delegation will be personal. This is similar to the delegation for Statewide security.
- Agency controllers can be delegated without having a backup. Although the SCO would prefer a backup, such a backup will not be required for delegation.
- SCO will delegate to the agency controller and at the agency's request, also delegate to a backup. The agency controller will not have the authority to further delegate the agency controller's authority within the agency.
- We will have three situations:
 - Low risk contracts that do not require risk assessment - All agencies that want this delegation will be granted this delegation for certain low risk contracts that do not require a risk assessment, such as waived contracts.
 - Low risk contracts that require a risk assessment – Agencies can be delegated to approve these contracts if the agency meets the criteria for delegation
 - High risk contracts will not be delegated and will be sent by the agencies to the SCO for review and to their AG for Higher Ed.

- Delegations will be continuous, unless there is a substantial change in one of the four criteria for delegation.
- Contracts delegation will be separate from the delegations from State Purchasing, State Buildings, and Division of Human Resources. We may review the possibilities of coordination next year.
- We will have a delegation agreement that outlines the roles and responsibilities of State Controller delegates.

Criteria for Delegation

The SCO will review the following items as part of the SCO review to determine whether to delegate contracts signature authority for certain low risk contracts:

1. Organization Structure

- a. Segregation of duties
- b. Resources
- c. Other types of delegation, such as Group 1 and 2 for State Purchasing
- d. Depth in the Contracts Unit

2. Internal Controls

- a. Control Environment
 - i. Integrity and ethical values
 - ii. Commitment to competence
 - iii. Review committee
 - iv. Management philosophy and operating style
 - v. Assignment of authority and responsibility
 - vi. Human resource policies and procedures
- b. Risk Assessment
 - i. Changes in operating environment
 - ii. New personnel
 - iii. New or revamped information systems
 - iv. New functions, operations or activities
 - v. Restructuring
- c. Control Activities
 - i. Performance reviews
 - ii. Information processing
 - iii. Physical controls
 - iv. Segregation of duties (covered above)
- d. Information and Communication
 - i. How information is shared
 - ii. How are contract issues identified and resolved
 - iii. How data is entered into the system
 - iv. Nature of processing involved in approving contracts
- e. Monitoring
 - i. Design
 - ii. Implementation

iii. Operation

3. Expertise of Delegatee

- a. Education
- b. Experience and training in contracts
- c. Ethics
- d. Prior experience with SCO
- e. Contracts staff experience
- f. Experience and training of contract writers

4. Certification

- a. Controller
 - i. Risk Analysis review
 - ii. Ethics
 - iii. Identify situations where legal review is needed
 - iv. Fiscal Rules
 - v. Continuing education, CCIT
- b. Contracts Unit
 - i. Preparation of Risk Analysis
 - ii. Fiscal Rules
 - iii. Contracts Training
 - iv. Continuing education, CCIT
- c. Program Staff – certification offered but not required for delegation

Proposed Agenda for Next Meeting – October 24, 2006 from 9 am to 11 am, 633 17th Street, Conf Rm 15A

- Review criteria for delegation
- Follow up on further direction from Steering Committee
- Discuss Peer Review Process
- Target to complete all items for the Delegation Subcommittee on 10/24/06